

Message Text

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ACTION AF-10

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TO SECSTATE WASHDC 224

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E.O. 11652: N/A
TAGS: EINV, EFIN, GH
SUBJ: GHANA GOVERNMENT ANNOUNCES SELECTED PROFITS AND DIVIDENDS
REMITTANCES

REF: ACCRA 5703

1. SUMMARY: THE BANK
OF GHANA ANNOUNCED SEPTEMBER 14,
THAT IT WOULD PERMIT THE TRANSFER ABROAD OF PROFITS AND
DIVIDENDS EARNED BY ALL FOREIGN COMPANIES DURING ACCOUNTING
YEARS ENDING PRIOR TO 1966. IN ADDITION, PROVISION HAS
BEEN MADE TO REPATRIATE A SMALL PORTION OF THE ESTIMATED
128 MILLION DOLLARS OF BLOCKED FUNDS FROM THE SALES OF ASSETS
UNDER THE GHANA INVESTMENT POLICY DECREE. A TOTAL OF CEDIS
25 MILLION (DOLS 21.7 MILLION) IN FOREIGN EXCHANGE HAS BEEN
BUDGETED FOR ALL SUCH REMITTANCES IN CY 1977. THESE DECISIONS
TO BEGIN THE PROCESS OF CLEARING UP THE BACKLOG OF UNREMITTED
PROFITS AND DIVIDENDS TO TO PERMIT TOKEN INITIAL REMITTANCES
OF FUNDS FROM THE SALE OF ASSETS WILL BENEFIT THE SEVERAL
US FIRMS CONCERNED AND, WE EXPECT, WILL BRIGHTEN THE OTHER-
WISE DIM INVESTMENT PICTURE HERE. END SUMMARY.

2. THE BANK OF GHANA ON SEPTEMBER 17 PLACED THE FOLLOWING
ANNOUNCEMENT IN GHANAIAI NEWSPAPERS: BEGIN TEXT
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BANK OF GHANA

ANNOUNCEMENT OF TRANSFER OF ARREARS OF PROFITS AND DIVIDENDS
NOTIFIED TO THE BANK UP TO ACCOUNTING YEAR ENDING IN 1968.
IN FURTHERANCE OF GOVERNMENT'S POLICY OF SYSTEMATIC REMITTANCE
OF ACCUMMULATED PROFITS AND DIVIDENDS BY EXPATRIATE FIRMS,

THE BANK OF GHANA, AFTER A REVIEW OF THE FOREIGN EXCHANGE SITUATION, ANNOUNCES THAT IT WILL PERMIT THE TRANSFER OF PROFITS AND DIVIDENDS EARNED DURING THE FOLLOWING ACCOUNTING YEARS SUBJECT TO SATISFACTION OF EXCHANGE CONTROL REQUIREMENTS.

(1) ACCOUNTING YEARS ENDING PRIOR TO 1966 -- ALL SECTORS, THAT IS, COMMERCIAL COMPANIES, INDUSTRIAL COMPANIES, SHIPPING, BANKING INSURANCE AND ALL OTHER COMPANIES (E.G. ARCHITECTS, ACCOUNTANTS ETC.)

2) ACCOUNTING YEAR ENDING IN 1966 -- ALL SECTORS EXCEPT COMMERCE, THAT IS, INDUSTRIAL COMPANIES, BANKING, INSURANCE AND ALL OTHER COMPANIES (E.G. ARCHITECTS ACCOUNTANTS ETC.

3) ACCOUNTING YEAR ENDING IN 1967 -- ALL SECTORS EXCEPT COMMERCE, THAT IS, INDUSTRIAL COMPANIES, SHIPPING, BANKING, INSURANCE AND ALL OTHER COMPANIES (E.G. ARCHITECTS ACCOUNTANTS, ETC).

4) ACCOUNTING YEARS ENDING IN 1968 -- ALL SECTORS EXCEPT COMMERCE, THAT IS, INDUSTRIAL COMPANIES, SHIPPING, BANKING, INSURANCE AND ALL OTHER COMPANIES (EG. ARCHITECTS, ACCOUNTANTS, ETC.)

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5. MINING COMPANIES -- SEPARATE ARRANGEMENTS ARE BEING MADE.

(SGD.) A.E. ASHIABOR
GOVERNOR
SEPTEMBER 14, 1977. END TEXT

3. IN SEPARATE CONVERSATIONS SEPTEMBER 19, BANK OF GHANA DEPUTY GOVERNOR SARPONG AND CAPITAL INVESTMENTS BOARD EXECUTIVE CHAIRMAN ADUSEI-POKU CONFIRMED TO ECON COUNSELOR THE GOVERNMENT'S DECISION TO REMIT PROFITS AND DIVIDENDS AS ANNOUNCED AND PROVIDED THE FOLLOWING ADDITIONAL DETAILS.

(A) BACKGROUND. THE SMC DECIDED IN NOVEMBER 1976 TO BEGIN CLEARING THE BACKLOG OF OUTSTANDING PROFIT AND DIVIDEND REMITTANCE APPLICATIONS AND REQUESTED THE BANK OF GHANA TO DRAW UP A TIMETABLE FOR DOING SO (PARA 7 REFTEL). THE PROCESS WAS DELAYED, IN PART BY THE NEED TO DRAW ON SCARCE FOREIGN EXCHANGE FUNDS IN RECENT MONTHS TO IMPORT FOOD.

(B) AMOUNTS INVOLVED. THE TOTAL OUTSTANDING THROUGH

1976 OF UNREMITTED PROFITS AND DIVIDENDS WAS ESTIMATED
BY ADUSEI-POKU AT ABOUT CEDIS 170 MILLION (DOLS 147.8
MILLION). TO THIS WAS ADDED THE ESTIMATED CEDIS

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140 MILLION (DOLS 121.7 MILLION) IN PROCEEDS FROM THE
SALE OF ASSETS REQUIRED BY THE GHANA INVESTMENT POLICY
DECREE, EFFECTIVE JANUARY FIRST 1977. THE TOTAL
OUTSTANDING TO BE REPATRIATED BY FOREIGN INVESTORS
WAS THUS ABOUT CEDIS 310 MILLION. THE GOVERNMENT
HAD PLANNED TO CLEAR THIS BACKLOG IN FIVE YEARS WITH
ANNUAL PAYMENTS OF CEDIS 62 MILLION (DOLS 53.9).
FOR CY 1977, HOWEVER, THIS WAS REDUCED TO CEDIS 25
MILLION TO FREE ADDITIONAL FOREIGN EXCHANGE FOR FOOD
IMPORTS. THE 25 MILLION CEDI FIGURE IS TWICE THE
AVERAGE LEVEL OF REMITTANCES PERMITTED FOR THE PAST
FOUR YEARS (WE DO NOT YET KNOW HOW THIS 25 MILLION
WILL BE DIVIDED BETWEEN THE REMITTANCE OF PROFITS AND
DIVIDENDS AND THE REMITTANCE OF PROCEEDS FROM THE SALE
OF ASSETS INCLUDING POSSIBLY SOME ASSET REMITTANCES
STILL PENDING FROM THE EARLIER SALE TO THE GOG OF
MINING PROPERTIES). THE GOVERNMENT PLANS TO ALLOCATE
THE FULL CEDIS 62 MILLION IN CY 1978.

(C) PURPOSE. THE MAJOR PURPOSE IS TO IMPROVE THE
INVESTMENT CLIMATE. (SOME US COMPANIES HERE
HAVE NOT REPATRIATED ANY PROFITS OR DIVIDENDS SINCE
THE 1950'S).

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(D) AMERICAN FIRMS COVERED. ONLY A FEW US FIRMS WILL BE AFFECTED BY THE DECREE. THERE ARE ONLY ABOUT 25 AMERICAN FIRMS WITH INVESTMENTS IN GHANA; MANY OF THEM EITHER HAVE NO UNREMITTED PROFITS OR DIVIDENDS FROM 1968 OR EARLIER AND/OR WERE UNAFFECTED BY THE INVESTMENT DECREES. THE US OIL COMPANIES, SUCH AS MOBILE AND TEXACO, STAND TO BENEFIT PRIMARILY AMONG US FIRMS, BUT THEY FALL INTO THE COMMERCE CATEGORY, AND SO WILL BE LIMITED TO REMITTING PROFITS AND DIVIDENDS EARNED BEFORE 1966. (TEXACO HAS NOT REMITTED PROFITS EARNED SINCE 1956.)

4. COMMENTS: THIS IS WELCOME NEWS AND, WE EXPECT THE ANNOUNCEMENT WILL BRIGHTEN THE INVESTMENT PICTURE HERE. THE INFORMATION THAT THE GOG PLANS TO PERMIT AT LEAST TOKEN REMITTANCES OF PROCEEDS FROM THE SALE OF ASSETS COMES FROM ADUSEI-POKU AND IS NOT YET REFLECTED IN ANY FORMAL ANNOUNCEMENT. THUS WE DO NOT YET KNOW EXACTLY HOW, OR HOW MUCH, SUCH ASSETS WILL BE TRANSFERRED ABROAD THIS YEAR. NEVERTHELESS THIS INDICATION THAT THE GOVERNMENT OF GHANA HAS ALLOCATED SOME OF ITS RELATIVELY SCARCE FOREIGN EXCHANGE RESOURCES TO BEGIN TO REPATRIATE THESE PROCEEDS IS ENCOURAGING WITHOUT REPATRIATION OF CEDI PROCEEDS, THOSE ASSETS SALES HAD CARRIED THE POTENTIAL FOR RAISING ISSUES OF EXPROPRIATION.

5. WE WILL REPORT OVER THE COMING WEEKS ON THE ACTUAL EXPERIENCES OF US FIRMS AFFECTED, AND WILL FOLLOW UP SPECIFICALLY ON THE ISSUE OF REPATRIATION OF PROCEEDS FROM THE SALE OF ASSETS.

SMITH

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